

The complaint

Miss C complains Tesco Personal Finance PLC trading as Tesco Bank took too long to open a savings account.

What happened

Miss C held a savings account with Tesco, and it had a low rate of interest. Miss C applied for a new account with Tesco, with a better rate. The application was completed online but the account couldn't be opened straight away.

Miss C was told Tesco would call her or write to her for some extra information. Miss C applied for the account on 20 November 2022, and she didn't receive a call, and only received Tesco's letter on 3 January 2023.

Miss C contacted Tesco on 4 January 2023 and the account was opened and the balance transferred from her old account.

Miss C complained to Tesco as she'd missed out on the higher rate of interest for a month and a half.

Tesco responded to say it sent Miss C a letter in the post in good time and it couldn't be held responsible for any delays. Tesco said Miss C would receive the higher rate for 12 months as the account she applied for was a fixed rate.

Tesco said Miss C hadn't experienced a loss but credited her account with £50 to compensate for some poor service.

Miss C brought her complaint to this service, she felt she's missed out on a higher rate of interest for the remainder of November and all of December 2022. And Miss C wanted an apology from the complaint handler and for this not to happen to anyone else.

An investigator looked into things and thought Miss C's complaint should be upheld. The investigator's initial assessment was Tesco should have contacted Miss C by phone. The investigator thought Tesco knew about the postal strikes but sent a letter anyway.

The investigator thought Tesco should pay for the loss of interest from 25 November 2022 to 4 January 2023 and pay a further £50 compensation.

Miss C accepted this assessment, but Tesco disagreed. Tesco said it wasn't aware of the full extent of the postal strikes and couldn't be held responsible for the big delay to the post.

Tesco said Miss C benefitted from a higher rate for the whole term anyway, despite the delay. Tesco also said it was its own policy to send a letter and it was unaware of any specific guideline it had breached.

Tesco said the investigator was either saying Tesco shouldn't adhere to its policy or the policy itself is wrong. Tesco said neither option was something this service had the authority

to say.

The investigator considered the responses from both parties and changed their outcome slightly. The investigator still thought Miss C's complaint should be upheld, but thought Miss C could have mitigated her loss slightly.

The investigator thought Tesco should pay 1.86% interest from 25 November 2022 to 4 January 2023, a reduction in the rate to bring the account in line with the previous rate of interest. The investigator thought the £50 previously offered was fair compensation.

Miss C's representative, Mr B, responded to this second assessment. Mr B said when Miss C initially complained she was told the complaint would be upheld, but once Tesco saw the amount of interest the complaint handler couldn't agree this amount.

And Mr B said the savings account wasn't a fixed term product so Miss C could have opened another account at the point of application or later on, and benefitted from an increased rate.

Tesco also didn't accept this second assessment, for broadly the same reasons as before. Tesco said its process was to send a letter and it didn't know the extent of the postal strikes when it sent the letter.

Tesco said this service can't challenge its processes unless there's a regulatory breach. The postal strike was outside of Tesco's control, so it feels it hasn't done anything wrong.

Since neither party accepted the investigator's assessment the complaint was passed to me to decide.

My provisional decision

I issued a provisional decision, and in it I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

When Miss C applied for her new account, the message she saw said:

To complete your application, we'll (Tesco) need to do some extra checks to keep you safe. We'll contact you by telephone or in writing within 5 working days to let you know the next steps.

Miss C didn't receive confirmation of the account opening on the day she applied. And I think Tesco's message clearly says it needs some contact with Miss C in order to complete the account opening.

I think Miss C should reasonably have been aware her new account hadn't opened. But I also think Miss C was expecting Tesco to contact her to complete the application.

Tesco sent Miss C a letter, asking her to contact it, by phone. I asked Tesco why its message suggests a phone call is the first choice, letter second, and it said it may not call because of staff availability.

This doesn't seem to make too much sense. A member of staff at Tesco, at some point, would speak to Miss C on the phone. Either an outbound call when Miss C made the

application or an inbound call when she received the letter.

I'm unsure Tesco saved on any staffing resource by sending Miss C a letter asking her to call in, rather than just calling her. But, I am persuaded Tesco sent a letter and within the five working days of Miss C's application.

And I think Tesco was aware of the postal strikes happening soon after it posted the letter. But I don't think the extent of the delay to Miss C's letter was foreseeable.

A few days of strikes should have meant the letter was delayed by a few days. Instead, the letter took over a month to arrive. I don't think I can fairly hold Tesco responsible for the amount of time the letter took to arrive.

When Miss C received the letter, it only took a single call to fix the issues and get the account open. Miss C didn't need to send in any documentation, I'm satisfied had Tesco called Miss C at the point of application, her account would have opened sooner.

But I also think Miss C could have called in at some point between making the application and receiving the letter. Miss C knew, or should reasonably have known, the account hadn't been opened and Tesco needed more information from her.

Miss C already held a Tesco account, and Tesco's contact numbers are easily available online. I think Miss C could have done more to get the account open too.

Tesco says Miss C hasn't lost out as she got the 12 month fixed rate when the account was opened but I disagree.

Miss C had a rate of 0.5% on the account she was looking to transfer from, and, had the account opened sooner, Miss C would have received the higher rate sooner. The 12 month fixed term would then have expired sooner, and Miss C would have moved her money to another account, at a more attractive rate – as she did at the end of the 12 months.

So, I don't agree there hasn't been a potential financial loss to Miss C.

Tesco also says this service can't tell it how to apply its policies and terms unless they somehow breach regulations. But this service can decide whether Tesco's treated Miss C fairly in all the circumstances of her specific complaint.

And having looked at Miss C's complaint, I think Tesco could have done more to treat her fairly. I think Tesco could have called Miss C, either at the point of application or at some point before Miss C received the letter.

Tesco should have been aware Miss C, an existing customer, had a pending unopened account, which could easily be resolved by a single call.

But I have to balance what more I think Tesco could have done with what more I think Miss C could reasonably have done too. And I think it was reasonable for Miss C to contact Tesco sooner to get her account open.

Miss C first applied on 20 November 2022 and the account was opened on 4 January 2023, a gap of 45 days. Tesco said it would contact Miss C within five days, so I think it's reasonable to say there was a gap of 40 days.

Miss C was earning 0.5% on the account her money stayed in for these 40 days. The rate on the new account was 2.51%, a difference of 2.01%.

Since I think there were steps both Miss C and Tesco could have taken to ensure the account was opened sooner, I think it would be fair for Tesco to pay Miss C 2.01% interest on her balance for 20 days.

When Miss C called Tesco to complain about her lost interest, it seems the complaint handler said to Miss C Tesco would be paying the entire lost interest. When the complaint was investigated fully, this offer wasn't made.

But Tesco's paid Miss C £50 to compensate for this, and, in the circumstances, I think this is a fair amount to compensate Miss C for her loss of expectation. I don't think Tesco needs to pay Miss C further compensation.

Mr B says Miss C could have opened an account elsewhere during the gap between application and opening, and I agree. But I think this only reinforces my view Miss C could have taken some action after her application with Tesco was pended.

Miss C would like an apology from Tesco and for this not to happen to anyone else. I think Tesco did something wrong, and it should pay redress, I don't think a forced apology is needed as well.

And this service looks at individual complaints and their specific impacts on complainants. In the specific circumstances of Miss C's complaint, I think Tesco did something wrong, and this may or may not stop something similar happening to someone else.

Responses to my provisional decision

Miss C didn't respond to my provisional decision.

Tesco responded to say it gave me a general response to the question I asked about why it didn't call Miss C. Tesco said the order of the wording in the warning is irrelevant and felt a letter was more appropriate as this was a security check.

Tesco said there are no regulatory requirements saying it has to approve a savings account. Tesco said it isn't obliged to call. Tesco also said it made no commitment to open the account on a certain day, so there's no financial loss.

Tesco says it agrees there was nothing stopping Miss C contacting Tesco. Tesco asked whether it should call all its consumers.

And Tesco again said this decision was outside the scope of the ombudsman service. Tesco said my position is contradictory and punitive and my decision uses hindsight about the postal delays, which Tesco didn't know about at the time.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Tesco says it gave a general answer in response to one of my earlier questions around why

it didn't call Miss C. If Tesco wanted to make its point clear and tell me earlier why it didn't call Miss C, it was able to do this in its first response.

Tesco now says a letter was more appropriate because it was carrying out a security check. But I've considered this in my provisional decision and said Tesco didn't ask Miss C for any documentary proof of identification, address or anything else.

Tesco's letter said Miss C should call it, and she did. Miss C was able to identify herself over the phone and open the account. I can't see why a call couldn't have been made by Tesco at the point of application.

I don't believe staffing concerns were a fair reason not to call Miss C and I don't think a security check meant Miss C had to be sent a letter. Since a phone call resolved the issue for Miss C it seems odd Tesco didn't try this as a first option.

Tesco's repeatedly raised the lack of regulatory requirements to call Miss C. But Tesco doesn't interact with consumers solely on the basis of its regulatory obligations. And, regardless of this, Tesco has an obligation to treat its consumers fairly.

And in the specific circumstances of this complaint, I don't think Tesco treated Miss C fairly.

Tesco says I've used hindsight to reach my decision, and this is always a risk. But I don't feel I have, I would be taking a similar approach had Miss C never received the letter.

I think the delay to this application could have been avoided if Tesco called Miss C. I also accept the application could have been completed more quickly had Miss C called Tesco.

And this is why I provisionally upheld Miss C's complaint in part, saying each party needed to take some responsibility for the delay.

If I was using hindsight, I'd likely say Tesco is responsible for the entire delay, but my provisional decision didn't say this.

Tesco still feels there's been no financial loss. I think I covered this in my provisional decision. If Miss C had been able to open the account sooner, she'd have received a higher rate of interest on her money.

Miss C's account wasn't opened on the day she applied for it, so there's a financial loss. Whether the financial loss is Tesco's fault, or Miss C's, is for me to decide.

Tesco asked if it should call all its consumers, but I think it knows I can't answer this question in a decision about how it treated Miss C. In the individual circumstances of Miss C's complaint, I think Tesco should and could have called her.

Tesco also says this decision is outside my scope, but I don't believe it is. If I felt this decision wasn't one I could fairly decide, I wouldn't decide it.

I believe this is a decision I can make.

And since my thinking hasn't changed from my provisional decision, my final decision is in line with my provisional decision.

My final decision

My final decision is Tesco Personal Finance PLC should pay Miss C 2.01% interest, on the

balance of the account she was looking to transfer, for 20 days.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 17 December 2024.

Chris Russ
Ombudsman